

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF SHELBYVILLE

SHELBY COUNTY, INDIANA

January 1, 2022 to December 31, 2023



FILED

08/19/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Scott Asher	01-01-22 to 12-31-24
Mayor	Thomas D. DeBaun Scott Furgeson	01-01-22 to 12-31-23 01-01-24 to 12-31-24
President Pro Tempore of the Common Council	Robert Nolley Mike S. Johnson	01-01-22 to 12-31-23 01-01-24 to 12-31-24
Utility Office Manager	Beth Corley	01-01-22 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF SHELBYVILLE, SHELBY COUNTY, INDIANA

This report is supplemental to the audit report of the City of Shelbyville (City), for the period from January 1, 2022 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

June 5, 2024

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CLERK-TREASURER
CITY OF SHELBYVILLE

CLERK-TREASURER
CITY OF SHELBYVILLE
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The City had not established effective internal controls over the debt information entered into Gateway. One bond did not get reported and multiple bonds had ending principal balances reported incorrectly.

Audit adjustments were proposed, accepted by the City, and made to the Schedule of Leases and Debt reported as Other Information in the Financial Statement Audit Report of the City.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

CLERK-TREASURER
CITY OF SHELBYVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

ADVANCE PAYMENTS

Condition and Context

One claim tested was paid November 8, 2022. The period covered by the attached invoice was August 9, 2022 through December 31, 2022. The vendor was paid in advance of the services completed. The City did not have a contract with this vendor.

Criteria

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF SHELLBYVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2024, with Scott Asher, Clerk-Treasurer, and Mike S. Johnson, President Pro Tempore of the Common Council.

COMMON COUNCIL
CITY OF SHELBYVILLE

COMMON COUNCIL
CITY OF SHELBYVILLE
AUDIT RESULT AND COMMENT

COMPENSATION AND BENEFITS - ADDITIONAL PAYMENTS

Condition and Context

On December 16, 2022, the City purchased gift cards to various businesses. Inquiry with City officials indicated that the gift cards were given to City employees as Christmas gifts. The gift card amounts were not included in the salary ordinance. The gift cards are considered compensation and resulted in those employees receiving additional compensation that was not approved by the Common Council or included in the salary ordinance.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

COMMON COUNCIL
CITY OF SHELLBYVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2024, with Scott Asher, Clerk-Treasurer, and Mike S. Johnson, President Pro Tempore of the Common Council.